

Message Text

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ACTION SS-25

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P R 071324Z DEC 76

FM AMEMBASSY LISBON

TO SECSTATE WASHDC PRIORITY 9440

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY MADRID

AMEMBASSY MOSCOW

AMCONSUL OPORTO

AMEMBASSY PARIS

AMCONSUL PONTA DELGADA

USMISSION NATO

C O N F I D E N T I A L SECTION 1 OF 2 LISBON 8423

EXDIS

DEPT PLS PASS SENATOR BROOKE

DEPT ALSO PASS DIA WASHDC AND USCINCEUR VAHINGEN GER

E.O. 11652: GDS

TAGS: PFOR, PINT, ECON, ELAB, OVIP, OTRA, PO

SUBJECT: CODEL BROOKE CONVERSATION WITH PRESIDENT EANES

1. SUMMARY. PRESIDENT EANES EMPHASIZED TO SENATOR BROOKE THAT FUTURE POLITICAL STABILITY DEPENDS ON ECONOMIC RECOVERY, AND THIS IN TURN DEPENDS BOTH ON THE EFFECTIVENESS OF A GOP AUSTERITY PROGRAM AND SUPPORT FROM ABROAD. HE EXPRESSED APPRECIATION FOR AMERICAN WILLINGNESS TO HELP AND EMPHASIZED THAT THE PROPOSED CONSORTIUM LOAN WOULD BE USED FOR INVESTMENT NOT CONSUMPTION. HE DESCRIBED THE ARMED FORCES AS BASICALLY CONSERVATIVE WITH A RESIDUE OF BITTERNESS AGAINST THE COMMUNISTS. THE PROVISION OF EQUIPMENT IS VERY IMPORTANT FOR RETRAINING AND RESTRUCTURING THE ARMED FORCES. THE PRESIDENT DESCRIBED HIS RELATIONS WITH SOARES AS GOOD BUT NOTED THE GOVERNMENT DID NOT HAVE THE OPERATIONAL EFFECTIVENESS HE MIGHT LIKE IT TO HAVE. NONETHELESS HE DID NOT FORESEE ANY MODIFICATIONS PRIOR TO CONFIDENTIAL

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THE END OF JANUARY, AT WHICH TIME SOME INDIVIDUAL MINISTERS MIGHT BE CHANGED. HE DID NOT ENVISAGE REPLACING THE ENTIRE GOVERNMENT FOR ANOTHER SIX TO EIGHT MONTHS, ASSUMING NO MAJOR CHANGES IN THE SITUATION, AND EVEN

THEN HE THOUGHT MARIO SOARES SHOULD CONTINUE AS PRIME MINISTER. HE INTENDS TO INTERVENE MORE ACTIVELY IN THE POLITICAL PROCESS AFTER THE DECEMBER 12 MUNICIPAL ELECTIONS, AT WHICH TIME THE GOP WOULD PURSUE TOUGHER ECONOMIC AND POLITICAL POLICIES.. END SUMMARY

2. ON DECEMBER 6 SENATOR BROOKE, ACCOMPANIED BY PROFESSIONAL STAFF MEMBER ROSSITER AND AMBASSADOR, SPENT APPROXIMATELY ONE HOUR WITH PRESIDENT EANES. EANES, KNOWING OF BROOKE'S INTEREST IN PORTUGAL AND SUPPORT FOR AMERICAN POLICY, WAS UNUSUALLY FRANK AND FORTHCOMING. FOLLOWING INITIAL CORDIALITIES AND EXPRESSIONS OF APPRECIATION TO SENATOR BROOKE BY EANES, THE SENATOR ASKED FOR A REVIEW OF GENERAL POLITICAL SITUATION.

3. POLITICAL STABILITY. THE PRESIDENT RESPONDED THAT POLITICAL STABILITY NOW EXISTS IN PORTUGAL. THE GOVERNMENT FUNCTIONS, NOT WITH THE DEGREE OF OPERATIONAL EFFECTIVENESS THAT ONE MIGHT DESIRE, BUT IT DOES FUNCTION. ITS EFFECTIVENESS IS HAMPERED BY THE CONTINUED CRISIS NATURE OF THE ATMOSPHERE AND BY THE OPPOSITION. THE GOVERNMENT IS A ONE-PARTY GOVERNMENT BUT THAT PARTY HAS NOT FURNISHED THE COHESION NECESSARY TO ENABLE THE GOVERNMENT TO TAKE THE FULL RANGE OF MEASURE NEEDED TO DEAL WITH THE SITUATION. EXAMPLES WERE MEASURES TO STEM ABSENTEEISM, INCREASE PRODUCTIVITY, AND DEFINE THE LIMITS OF PUBLIC SECTOR ACTIVITY. THE GOVERNMENT WAS MOVING FORWARD, HE SAID, BUT NOT WITH THE RAPIDITY ONE MIGHT DESIRE.

4. CABINET RE-SHUFFLE. WHILE THIS GOVERNMENT MAY NOT BE THE OPTIMAL GOVERNMENT, EANES SAID, "WE NEED TO TAKE IT TO THE LIMIT." IT IS NOT ADVISABLE TO REPLACE IT AT THE PRESENT MOMENT. EVENTUALLY SOME CABINET MEMBERS MIGHT BE REMOVED BUT THE PRESIDENT DID NOT FORESEE THIS AS HAPPENING UNTIL THE END OF JANUARY. IN ANSWER TO A QUESTION FROM THE SENATOR, EANES SAID HE WOULD NOT ENVISAGE CONFIDENTIAL

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REPLACING THE ENTIRE GOVERNMENT FOR ANOTHER SIX TO EIGHT MONTHS, ASSUMING THE SITUATION REMAINED APPROXIMATELY AS IT IS. HIS INTENTION WAS TO HAVE NO MORE THAN THREE GOVERNMENTS DURING THE LIFE OF THE LEGISLATURE. THIS OBVIOUSLY COULD CHANGE IF CIRCUMSTANCES ALTERED. HE NOTED THAT HE WOULD STILL BE INCLINED TO KEEP MARIO SOARES AS PRIME MINISTER EVEN IF THERE IS A MAJOR GOVERNMENTAL CHANGE AFTER SIX TO EIGHT MONTHS.

5. ECONOMIC RECOVERY. THE PRESIDENT EMPHASIZED THAT ECONOMIC RECOVERY WAS THE KEY TO MAINTAINING POLITICAL STABILITY. SUCH RECOVERY COULD ONLY COME WITH THE STABILIZING EFFECT OF FOREIGN LOANS--WHICH WOULD BE USED

FOR INVESTMENT, NOT CONSUMPTION-AND GENERAL AUSTERITY MEASURES. THE POPULACE WILL HAVE TO MAKE SACRIFICES, HE NOTED, AND THESE HAD NOT YET BEEN PROPOSED IN THEIR FULL MEASURE BECAUSE OF ELECTIONS. HE SAW THE PERIOD UNTIL THE END OF JANUARY AS A PERIOD OF "ECONOMIC AND POLITICAL BEGINNING."

6. PCP ACTIVITY AND ALENTEJO. ONE OF THE GOALS OF THIS PERIOD IS TO SHAPE THE POLITICAL CONTROL OF THE STATE WITHOUT GIVING IT A PARTY COLORATION, EANES SAID. AGRICULTURE IS AN EXAMPLE. THE GOVERNMENT IS GOING TO MAKE FUNDAMENTAL CHANGES IN AGRICULTURE, LIBERATING THE ALENTEJO FROM PCP-CONTROLLED UNIOIS. IT WILL ALSO TAKE MEASURES TO PROTECT SMALL LANDOWNERS FROM CONSTANT THREATS FROM THE COMMUNIST PARTY.

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C O N F I D E N T I A L SECTION 2 OF 2 LISBON 8423

EXDIS

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7. THE ARMED FORCES. ASKED BY THE SENATOR ABOUT THE MILITARY PICTURE, THE PRESIDENT DESCRIBED THE ARMED FORCES AS BASICALLY CONSERVATIVE. THEY WILL SUPPORT THE PRESIDENT AND THE GOVERNMENT AS LONG AS THEY FEEL THAT THESE INSTITUTIONS ARE WORKING FOR ECONOMIC AND POLITICAL STABILITY. THE ROLE OF THE COMMUNIST PARTY IN THE TURMOIL OF THE LAST TWO YEARS HAS CREATED A STRONG ANTI-PCP FEELING IN THE MILITARY. "IT IS ALMOST NECESSARY TO MAKE

THE PCP MORE DEMOCRATIC JUST TO PROTECT THEM." THE ARMED FORCES THEMSELVES ARE PRESENTLY BEING RESTRUCTURED. THIS INVOLVES RETRAINING; AND THE PRESENT LEADERSHIP'S ABILITY TO BRING THIS ABOUT IS DIRECTLY RELATED TO ITS CAPACITY TO MAINTAIN STABILITY OUTSIDE THE ARMED FORCES. THE ARMED FORCES REFLECT DIRECTLY THE SITUATION IN THE COUNTRY AS A WHOLE.

8. EQUIPMENT. A CRITICAL ASPECT OF THE RETRAINING AND REORGANIZATION PROGRAM IS THE PROMISE OF NEW EQUIPMENT
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FOR THE ARMED FORCES. THE EQUIPMENT WILL PROVIDE THE NECESSARY PSYCHOLOGICAL STIMULUS. IN THE ARMY THIS STIMULUS COMES THROUGH THE NATO-ORIENTED BRIGADE. THE BRIGADE IS IN PROCESS OF BEING FORMED IN SANTA MARGARIDA, AND IT IS IMPORTANT TO THE STABILITY AND COHESION OF THE ARMY THAT THE NATO ALLIES HELP PORTUGAL WITH THE NECESSARY EQUIPMENT. THE NEEDS OF THE AIR FORCE ARE SIMILAR--PSYCHOLOGICAL MOTIVATION. IN THIS CONNECTION THE PROVISION OF THREE C-130S FROM THE US WILL BE EXTREMELY IMPORTANT. RE-EQUIPPING THE NAVY, THE PRESIDENT SAID, IS VERY EXPENSIVE. THERE WILL HAVE TO BE SOME MODERNIZATION OF EXISTING EQUIPMENT WITH NEW EQUIPMENT COMING IN OVER THE MEDIUM PERIOD.

8. INSTITUTIONAL RELATIONSHIPS. IN RESPONSE TO ANOTHER QUERY, THE PRESIDENT DESCRIBED HIS RELATIONS WITH THE PRIME MINISTER AS GOOD, RELATIONS BETWEEN THE GOVERNMENT AND ASSEMBLY AS BAD. THE ASSEMBLY DOES NOT WORK WELL AND THE GOVERNMENT IS TEMPTED TO TRY AND PUSH AND ASSEMBLY ASIDE, HE NOTED. THE REVOLUTIONARY COUNCIL, HE SAID, IS QUIET AND HAS NOT EXCEEDED ITS CONSTITUTIONAL RESPONSIBILITIES. HE INTENDED TO TRY AND KEEP IT THAT WAY. THE JUDICIARY, IN HIS VIEW, DOES NOT WORK WELL.

9. THE FUTURE. THE PRESIDENT OBSERVED THAT THE LAST ELECTION IN THE DEMOCRATIC CYCLE WILL TAKE PLACE IN A FEW DAYS. AFTER THAT, HE SAID, WE CAN TAKE MORE OPEN AND EFFECTIVE ACTION IN THE POLITICAL AND ECONOMIC FIELDS. HE WAS NOT FULLY SATISFIED WITH THE PERFORMANCE OF THE GOVERNMENT IN SOME AREAS AND PLANS TO STEP UP HIS OWN ACTIVITIES--AND HIS PRESSURE ON THE GOP--AFTER THE ELECTIONS. AS FAR AS THE FUTURE ROLE OF THE ARMED FORCES IS CONCERNED, HE UNDERScoreD THAT THEIR COHESION WAS A FUNCTION OF THE OVERALL SOCIAL AND ECONOMIC SITUATION--IF THE ECONOMY IMPROVES COHESION WILL BE STRENGTHENED, IF THE ECONOMY CONTINUES TO FALTER COHESION WILL DEGENERATE.

10. USG FINANCIAL SUPPORT. IN CONCLUDING, THE PRESIDENT SAID THAT PORTUGAL NEEDS THE FINANCIAL

FLEXIBILITY TO DEAL WITH TWIN DANGERS--THE EXTREME LEFT,
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INCLUDING THE PCP, AND THE ULTRA RIGHT WHICH IS WAITING
IN THE WINGS. DEMOCRACY CAN ONLY SURVIVE IN PORTUGAL
IF THE COUNTRY HAS A SOUND ECONOMIC BASE. THIS MEANS
FINANCIAL ASSISTANCE FROM FRIENDLY COUNTRIES. THE
PRESIDENT AGAIN EXPRESSED HIS APPRECIATION FOR THE
ASSISTANCE RECEIVED TO DATE FROM THE US AND HIS HOPE THAT
THE NECESSARY SUPPORT IN THE FUTURE WOULD BE FORTHCOMING.

11. ABOVE MEMCON CLEARED BY SENATOR IN DRAFT.
CARLUCCI

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